

BUY

CMP: Rs.1199

Target Price: Rs.1445

Upside: 21.5%

Key Data

Size Segment	Large Cap
Market Cap (Rs, Cr.)	16,308
Market Cap (US\$ mn)	3,076
O/S Shares, Cr.	7
Free Float Factor	0.49
Face Value, Rs	1
2 Wk Avg. Vol., NSE	51,130
52 Wk High/Low	1288/934
Rs/US\$	53
Bloomberg	CLGT IN
Reuters	COLG.BO
NSE	COLPAL
BSE	500830

Source: Shah Investor's Research

Shareholding Pattern

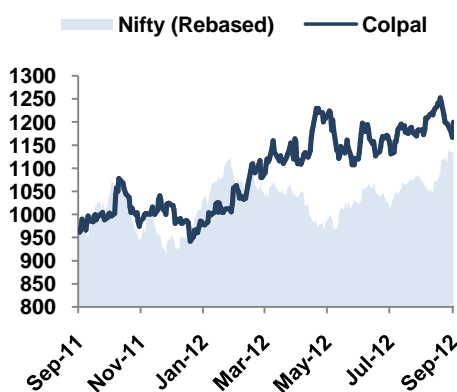
	Q1 FY13	Q1 FY12
Promoter	51.0%	51.0%
FII	20.9%	18.9%
DII	6.0%	7.5%
Public	22.1%	22.6%

Source: BSE, Shah Investor's Research

Institutional Holding

Institutions	Q1 FY13	Q1 FY12
LIC	4.32%	5.60%
Oppenheimer Developing Markets	5.38%	5.28%
Arisag Partners Pte	3.53%	3.53%

Source: BSE, Shah Investor's Research



Source: Ace Equity, Shah Investor's Research

Harsh Mehta (Research Analyst)

harsh.mehta@sihl.in**Strong gums to the portfolio**

Colgate Palmolive Ltd. (Colpal), market leader with (54% market share) in toothpaste segment has been clocking double digit volume growth for last many quarters driven by strong distribution network and new product launches backed by aggressive promotion. We expect Colpal to maintain its dominant position in Indian Oral care industry and new product launches from competitor or new entrants will only be able to snatch some market share from the existing local brands, and not from a market leader like Colpal which would drive revenue CAGR of 19.1% FY12-15E against 15.5% CAGR over FY10-12. We estimate Colpal to generate free cash flow of Rs.1,389 Cr. and post improvement of RoE/RoCE by 172 bps/987 bps, respectively, over FY12-15E. Given its strong brand equity, higher cash flow generation and dividend payout ratios (around 70%), we assign a BUY rating to Colpal with a Target price of Rs.1445, upside potential 21.5%, based on PE of 31.7x FY14E EPS of Rs.45.6.

Dominant market Position

Colpal is market leader in Indian oral care industry (Rs.4,500 Cr.) with 54.5% of volume share in toothpaste market and 38.2% market share in toothbrush segment, as of end June 2012. The company has developed strong brand equity and amazing penetrative reach, particularly in rural areas which accounts for 40% of volumes. Realization in Premium products such as Colgate Sensitive Pro Relief toothpaste and Sonic 360 toothbrush is 2-5x higher than normal. Such products are fast gaining acceptance and growing significantly faster. We expect this trend to continue and forecast 19.1% revenue CAGR over FY12-15E.

Strong Financials

Colpal is a zero debt company which is the strongest point in high interest rate scenario. Colpal operates on negative working capital, generating Rs.980 Cr. of free cash flow over FY10-12. We expect this trend to continue and forecast Rs.1,389 Cr. of free cash flow generation over FY13-15E. Following higher cash return on assets ratio, stable operating margin and negative working capital, RoE/ROCE would improve by 172 bps/987 bps to 104.3%/133.7%, respectively, over FY12-15E and also result in expansion of valuation multiples.

Valuation

At CMP, Colpal trades at 26.3x P/E based on FY14E EPS of Rs.45.6 vs. 25.3x P/E on FY14E EPS of its peers; 17.9% EPS CAGR over FY12-FY14E vs. 16.8% CAGR of the FMCG universe likely over FY12-14E. Dividend yield stands at 2.9%, higher than its peers at CMP assuming similar dividend payout ratios in FY14E. We estimate Target Price of Rs.1445 which 31.7x FY14E EPS of Rs.45.6, upside potential of 21.5%.

Y/E March, (Rs. Cr.)	FY11	FY12	FY13E	FY14E	FY15E
Revenue	2,286	2,693	3,153	3,803	4,544
Revenue Growth	13.3%	17.8%	17.1%	20.6%	19.5%
EBITDA	515	579	683	848	1,005
EBITDA Margin %	22.5%	21.5%	21.7%	22.3%	22.1%
PAT	403	446	502	621	733
PAT Margin %	17.6%	16.6%	15.9%	16.3%	16.1%
Adj. EPS	29.6	32.8	36.9	45.6	53.9
RoE	1.0	1.0	1.0	1.1	1.0
RoCE	1.3	1.2	1.3	1.4	1.3
P/E, x	40.5	36.5	32.5	26.3	22.2
P/Bv, x	42.5	37.5	32.9	28.2	23.2
EV/Sales, x	4.7	5.5	5.1	4.2	3.5

Source: Company Data, Shah Investor's Research

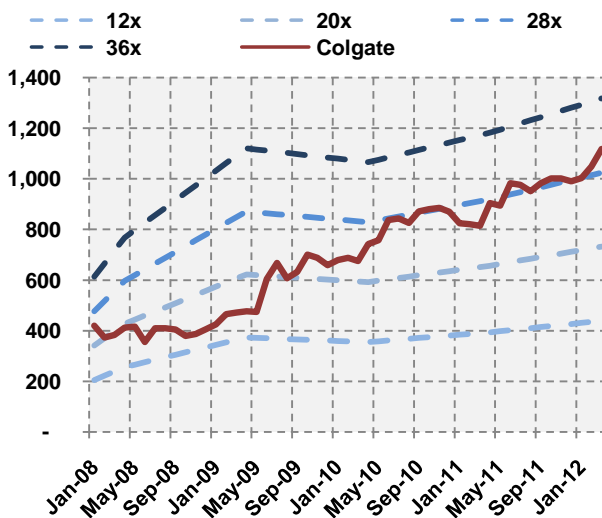
Outlook and Valuation

Colpal has been a dominant player in the oral care segment and a consistent performer on the financial front too. With its strong brand positioning and highly penetrative rural reach, Colpal has not only managed to stay way ahead of its competitors, but has also posted consistent volume growth. This is clearly evident from the fact from last 13 quarters where it has sustained YoY volume growth of more than 10% (Exhibit: 9). In the current economic environment, we believe that Colpal, with a focus on domestic consumption, have better growth visibility due to their market leadership that is driven by strong brand equity.

Due to rising awareness among consumers, new categories like sensitive toothpaste and mouthwash have been growing at a high rate and are likely to be a significantly large category over the longer term. Also, Colgate is setting up plants at Sanand (for toothpaste) and Andhra Pradesh (for toothbrush), which will meet rising demand. Entry of new players such as P&G in toothpaste segment could shoot up Ad expenses for Colpal and might have some impact on pricing power. Strong distribution network and generic brand will enable Colpal to defend its dominant market share.

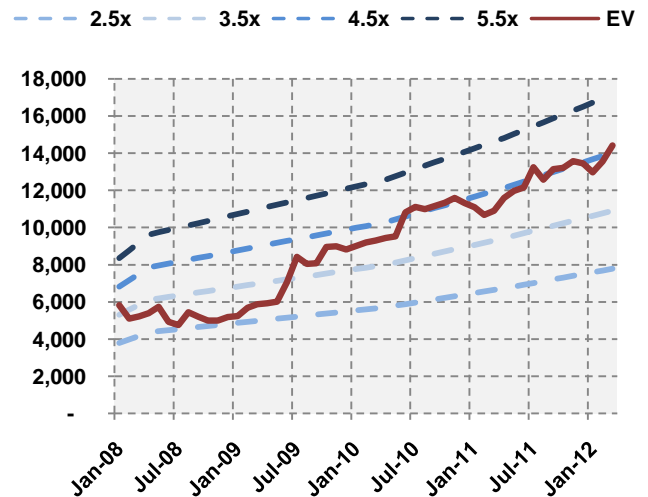
At CMP, Colpal trades at 26.3x P/E based on FY14E EPS of Rs.45.6 vs. 25.3x P/E on FY14E EPS of its peers due to 17.9% EPS CAGR over FY12-FY14E vs. 16.8% CAGR of the FMCG universe likely over FY12-14E. We assign a Target Price of Rs.1445 which 31.7x FY14E EPS of Rs.45.6, upside potential of 21.5%.

Exhibit 1: PE band



Source: Shah Investor's Research

Exhibit 2: EV/Sales band



Source: Shah Investor's Research

Exhibit 3: Peer group comparative analysis

Company	CMP (Rs.)	Mkt. Cap (Rs. Cr.)	EPS CAGR (%) (FY12-14E)	PE (x) FY14E	PB (x) FY14E	EV/EBITDA (x) (FY14E)
ITC	260.8	204,892	17.3%	23.6	8.9	15.7
Marico	193.9	12,498	24.4%	24.3	5.5	17.3
Dabur	124.5	21,699	18.5%	23.9	8.3	18.1
Godrej Consumer	672.5	22,887	9.6%	25.1	5.7	17.5
GSK Consumer*	2955.7	12,430	18.4%	25.0	6.6	15.2
Hindustan Unilever	528.4	114,236	12.9%	32.1	22.1	24.2
Jyothy Laboratories	159.65	2,575	19.8%	21.5	2.6	23.0
Britannia Industries	470.2	5,620	17.7%	20.3	2.6	13.8
Emami	481.5	7,286	18.4%	20.1	7.9	17.5
Industry Weighted Average#	-	-	16.8%	25.3	10.4	17.3
Colgate-Palmolive	1199.15	16,308	17.9%	26.3	28.2	18.9

Source: Bloomberg, Shah Investor's Research

*Year Ending Dec

#We have considered industry weightage average of the above mentioned companies only

Company Profile

Colgate is India's biggest oral care products company with more than 95% of its sales coming from oral care segment. The company has products across variants and price points in toothpaste, toothpowder, and toothbrushes, and is the leader in each of these categories. The Colgate brand is almost synonymous with oral care products in India thanks to its deep distribution network and effective marketing strategies, along with focused market activity to increase toothpaste use.

Exhibit 4: Colpal's business segment



Source: Company Data, Shah Investor's Research

Oral care Industry in India

The oral care category is set to grow globally by \$3.5 billion in 2009–2014; basic products will account for the lion's share of this growth. Toothpaste and toothbrushes will account for approximately \$2.8 billion of this (79%). Secondary products will also bounce back to growth, with mouthwashes/dental rinses contributing the best performance (forecast for a \$531 million increase in 2009–2014), and other products rising more steadily. The Indian Oral Care market has a huge growth potential as the market penetration and per capita consumption of oral care products are still at much lower levels than the developed markets. Currently only 55% of the Indian population uses toothpaste and only 15% of those users brush twice daily. In contrast, 97% people use toothpastes and up to 87% of them brush twice daily in the developed markets.

The market for toothpastes can be doubled in size if the penetration levels increase to 75% and even 35% of them start brushing twice daily. Given the current trends of 7-8% annual volume growth rate, this is likely to happen by 2020. Apart from this, the market for value-added and premium oral care products like mouthwash, dental floss, teeth whiteners are still in the nascent stages and provide significant opportunities for growth in the urban markets.

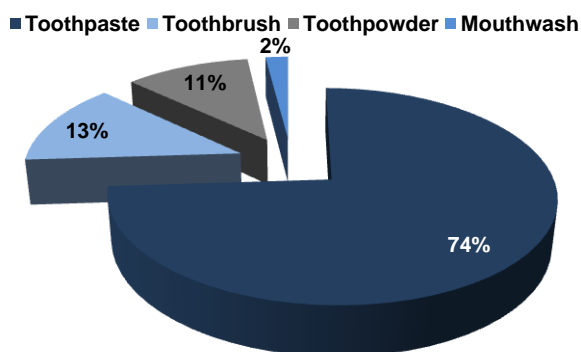
- ☞ The penetration of toothpaste was 95% in urban households and nearly 88% in rural households. 93% of the households reported some expenditure on toothpaste
- ☞ 35% of the households use toothpowder
- ☞ Only 66% of the households reported expenditure on toothbrushes in 2009-10. The penetration of toothbrushes is much lower than that of toothpaste. Possibly, the index finger is a substitute for the toothbrush in many households, or toothbrushes last for over a year.

Exhibit 5: Domestic oral care market growth rate

	2004	2005	2006	2007	2008	2009	2010	2011
Toothpaste	2%	3%	7%	9%	11%	10%	10%	16%
Toothbrush	6%	6%	8%	10%	11%	13%	23%	19%
Mouthwashes	7%	7%	8%	9%	11%	206%	70%	55%

Source: Company Data, Shah Investor's Research

Exhibit 6: Oral care market share (Revenue)*



Source: Shah Investor's Research

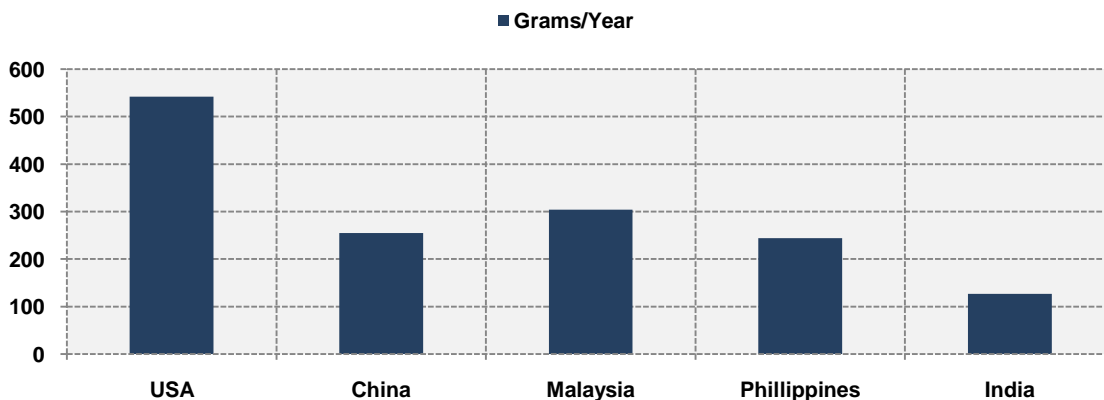
Investment Arguments

Key Growth Drivers

☛ **India still under penetrated market in oral care segment**

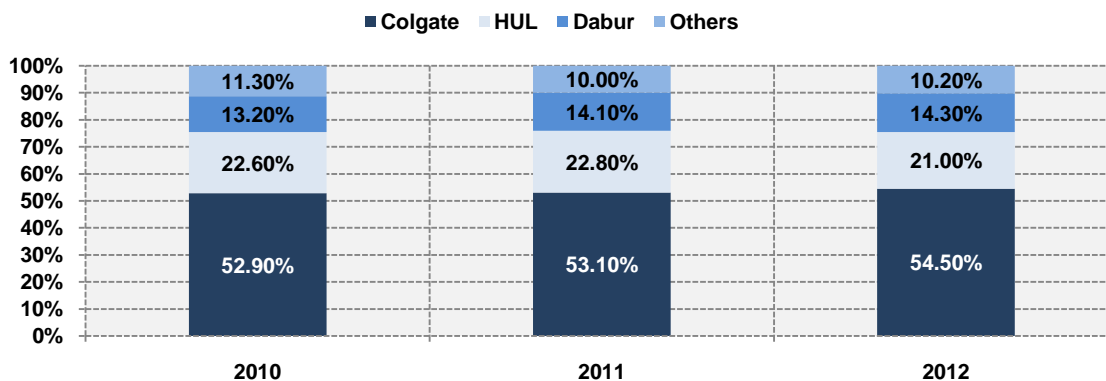
Colgate Palmolive (Colpal), market leader in domestic toothpaste segment, is seeing double digit volume growth in past many quarters. India's per capita consumption is half of other emerging market and almost one fourth of US. Toothpaste segment rural penetration is a mere 45% vs. 89% in urban market. This provides a huge opportunity for Colpal to grow and consolidate its market share in toothpaste segment.

Exhibit 7: Per capita consumption of toothpaste



Source: Company, Shah Investor's Research

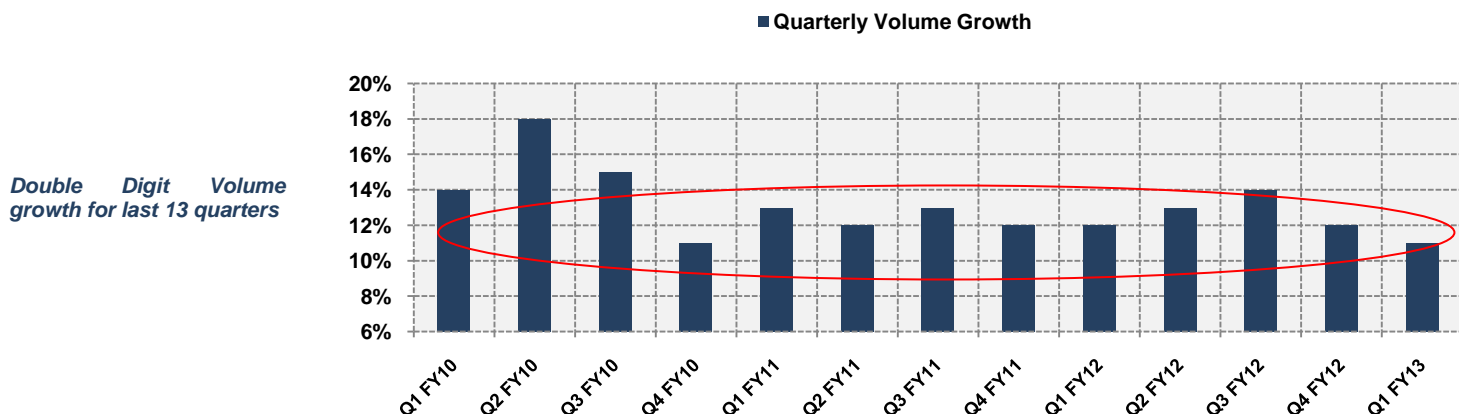
Exhibit 8: Domestic toothpaste market share



Source: Company, Shah Investor's Research

*FY11 Oral care market was around Rs.4,500 Cr.

Exhibit 9: Colgate quarterly volume growth



Source: Company, Shah Investor's Research

The Indian Oral Care market has a huge growth potential as the market penetration and per capita consumption of oral care products are still at much lower levels than the developed markets. Currently only 55% of the Indian population uses toothpaste and only 15% of those users brush twice daily. In contrast, 97% people use toothpastes and up to 87% of them brush twice daily in the developed markets. We estimate double digit volume growth QoQ would continue for next few years and Colpal would maintain its dominant market share in Indian toothpaste industry.

☛ Sensitive toothpaste segment to grow sharply

Tooth sensitivity is an oral condition that affects up to 57% of consumers worldwide. While the overall toothpaste market is currently growing at 8%, the dentist recommended 'sensitive toothpaste' segment is estimated to be around Rs.140 Cr. and growing at around 18%. Earlier this premium segment of the market consisted of a lot of players like Colpal very own Sensitive, Pepsodent's Sensitive, Miswak and a few more players in the market who were already charging a premium price from the consumers as compared to the other variants of toothpastes available in the toothpaste market.

GSK launched Sensodyne which was launched with a positioning statement that it helps to fight the problem of sensitive teeth within a week and the within this week the problem of sensitive teeth will be solved with the use of Sensodyne. This fact was then accentuated by the company by using Dentist's in their ads that were shown recommending use of Sensodyne to fight the problem of sensitive teeth.

Fig 1: Colgate Sensitive Pro Relief

Fig 2: GSK Consumer's Sensodyne



Source: Company, Shah Investor's Research



Source: Company, Shah Investor's Research

Now to counter this threat Colgate came forward with an improved version of the toothpaste to take Sensodyne head on and leave it behind and take the toothpaste market into the super premium segment. **Realization in this premium segment is 2-5x that of the regular segment.** In this segment as per Colpal, customers will be willing to pay a price for an instant relief from sensitivity of teeth within a few moments of usage of Colgate Sensitive Pro relief. And this instant relief came at a price which is even higher than the earlier premium segment.

The premium toothpaste market in India is a market that many players are aspiring to be a part of and Colpal has been trying for gaining a more and more market share of this market from a very long time and this is evident from the launch of a new and improved version of Colgate Sensitive Original, known as Colgate Sensitive Pro-Relief. We estimate new product launches in different product segment at various price points would maintain its dominant position in overall toothpaste segment.

☛ **Focus on brand equity and other product launches in toothbrushes & mouthwash segment**

Colpal, the maker of flagship brand Colgate toothpaste, is losing ground in the toothbrush segment in value terms to its US-based rival Procter & Gamble's (P&G) Oral-B. The market share of Colgate toothbrush has declined by 300 bps in the past 24 months, respectively to P&G's Oral-B. Oral-B's value share has gone up by 9% in the past two years and 3% in the past 12 months and now stands at 27.7%. In line with its sustained focus on innovation and to capture its lost market share, Colpal has introduced Colgate 360 Surround - a ground-breaking and innovative toothbrush with a unique head that is packed with special cleaning features to provide a whole mouth clean experience and Colgate ZigZag Anti-Germ toothbrushes in Q3FY12. Colpal Toothbrush segment market share at end of Q1 FY13 is around 38.2%.

Fig 3: Colgate 360 Surround Toothbrush



Source: Shah Investor's Research

Fig 4: Colgate Mouthwash



Source: Shah Investor's Research

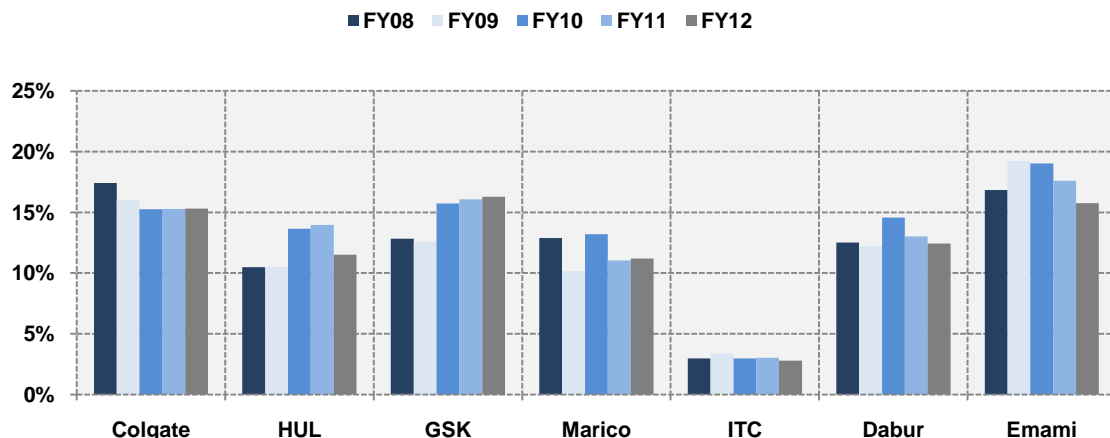
The Rs.100 Cr. Mouth wash segment is growing strongly at around 35% every year. New mouthwash launches have been showing a good pace of growth, enabling the company to gather 26.4% market share. HUL's (Hindustan Unilever Ltd) Pepsodent has made an entry into expanding Mouthwash market with the launch of its range of mouthwashes. The range consists of two variants - Fresh Mint and Herbal Fresh. While competition from J&J (Johnson and Johnson), market leader in mouthwash segment, is expected to remain firm.

Going ahead, its focus will be on building strength in the value-added toothpaste segment and increase market share in recently launches mouthwash segment. Apart from roping in Tennis star Mahesh Bhupathi and actor Rahul Bose as brand ambassadors, Colgate recently signed Bollywood actress Anushka as a brand ambassador for its toothpaste. It also roped in Allu Arjun as the new brand ambassador for Colgate MaxFresh in a strategy which is aimed at targeting the youth. Strong brand name, synonym to oral healthcare in India, and amazing penetrative reach particularly in rural markets would enable company to sustain its market dominance. Though, we feel that due to the unorganized nature of the retail sector, the new entrants in the oral care business will only be able to snatch some market share from the existing local brands, and not from a market leader like Colpal.

Volume growth and EBITDA margin is a function of Ad expenses

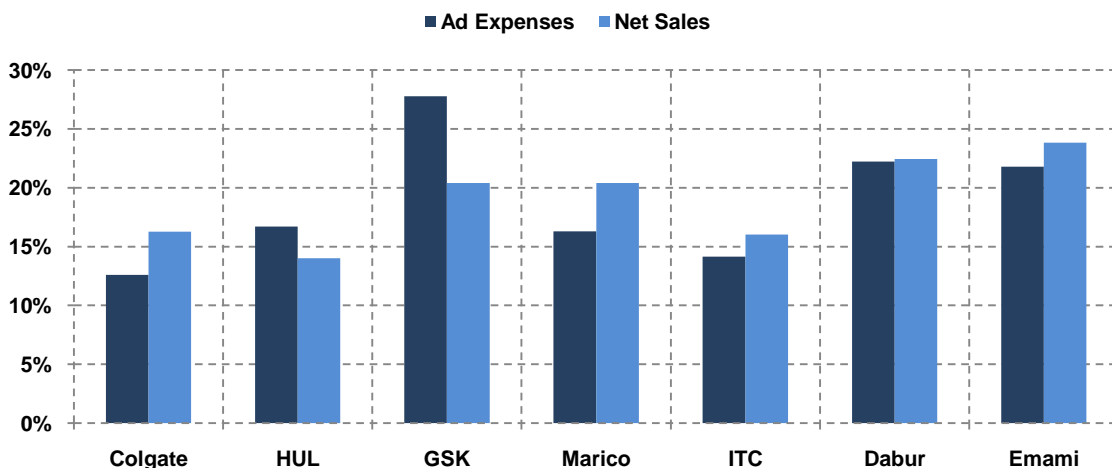
The consistent improvement in market share for Colpal over the years has facilitated a relatively lower and less volatile spend on advertisements during the last four years. The company's ad-spends have been maintained in the range of 15-16% during FY09-12. **During FY12, most FMCG companies pulled back on advertising spending due to sharp increase in raw materials and resilient consumer demand for strong brands.** HUL, Dabur, and Nestle India took down their Ad-to-sales ratio in FY12. HUL's Ad-to-sales ratio was 11.7%, lowest in last three years and Ad spends declined 2% YoY in absolute terms. Dabur's domestic Ad-to-sales ratio stood at 12.4% for FY12 compared to prior 4 year levels of 13-14%.

Exhibit 10: Ad expenses as % of Net Sales



Source: Ace Equity, Shah Investor's Research

Exhibit 11: 5-year CAGR growth in Ad expenses and Net sales

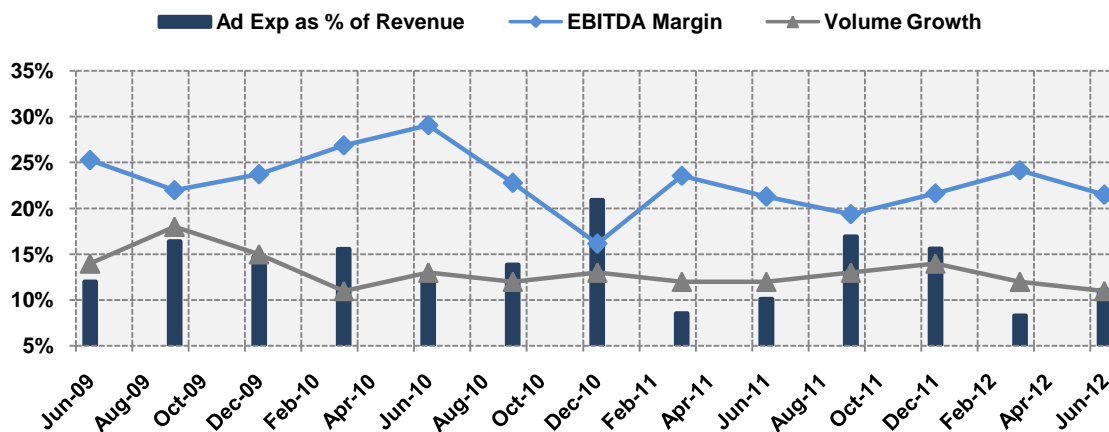


Source: Shah Investor's Research

However as these companies vie for volume in FY13 and FY14, we believe Ad spends need to go up, which leaves less room for margin flexibility throughout the year. **In our view, Colpal will have the highest flexibility with their spending, as they have continued to invest in businesses despite raw material concerns.**

Volume growth for Colpal is directly proportional to the Ad expenses while EBITDA margin is inversely proportional to Ad Expenses. Ad expenses as % of total revenue for Colpal are around 13-14% for the last 12-14 quarters. Despite lower Ad expenses in some quarters and price hike to offset higher raw material cost, volume growth remains healthy at around averagely 13% and has always maintained double digit growth. The above statement underlines the strong brand equity of Colgate and its penetration network in almost every parts of India.

Exhibit 12: Colpal relation between volume growth, Ad expenses and EBITDA margin



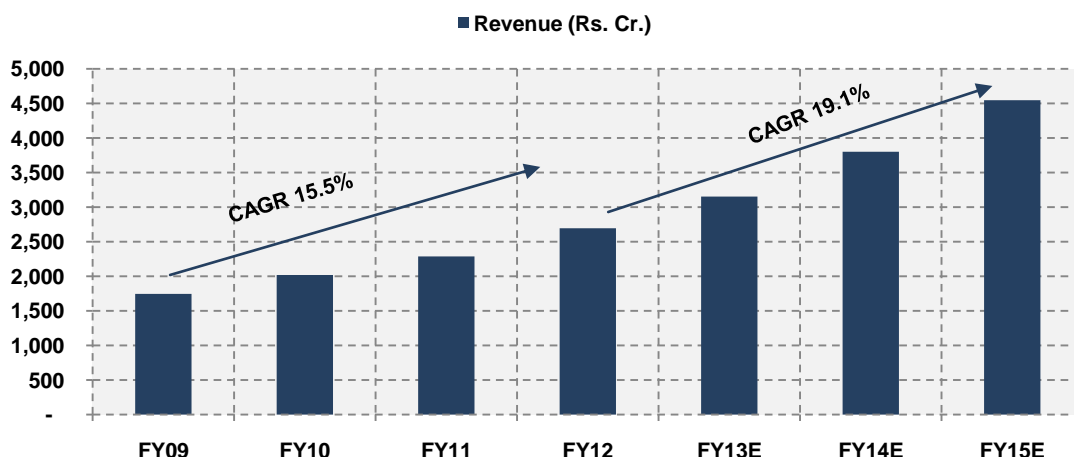
Source: Company, Shah Investor's Research

Financials

Stable volume and premium products to drive revenue CAGR to 20% over FY12-15E

As much as 96% of Colpal's FY12 revenue came from its lead segment oral care. We have factored in volume growth of 13.5% and 13.9% for FY13E and FY14E, respectively, for toothpaste segment. We have also factored in 18% volume growth for toothbrush segment for FY13E and FY14E. Volumes will be driven largely by consumption of rural markets as the penetration is just one third of that in urban markets. Penetration is lower as targeted consumers predominantly clean their teeth with natural items like twigs of neem tree, salt and ash. With steady growth of Indian Economy, the per capita income of India has increased from Rs 18,885 in 2002-03 to Rs 54,527 in FY11; hence purchasing power of the Indian consumers is constantly increasing. After factoring in all these points, one can't help but conclude that a tremendous opportunity lies in the oral care market of India. New product launches such as Colgate Sensitive Pro relief toothpaste and Colgate 360 Sonic toothbrush will generate value growth due to premium products.

Exhibit 13: CAGR revenue growth

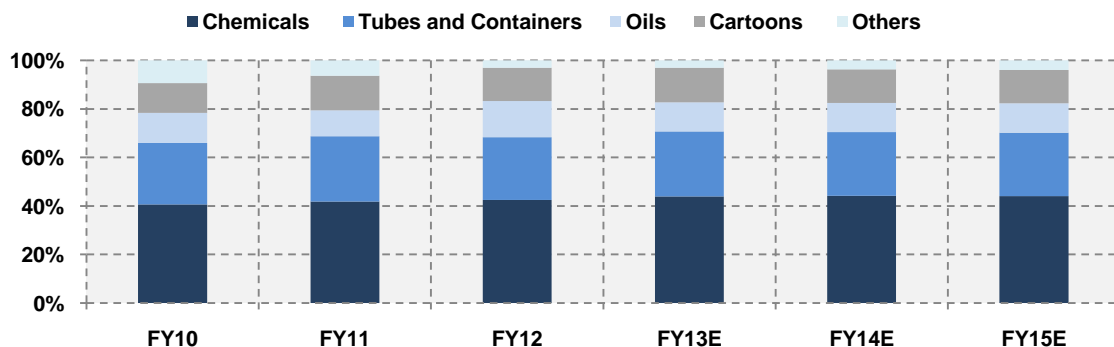


Source: Company, Shah Investor's Research

Stable EBITDA Margin

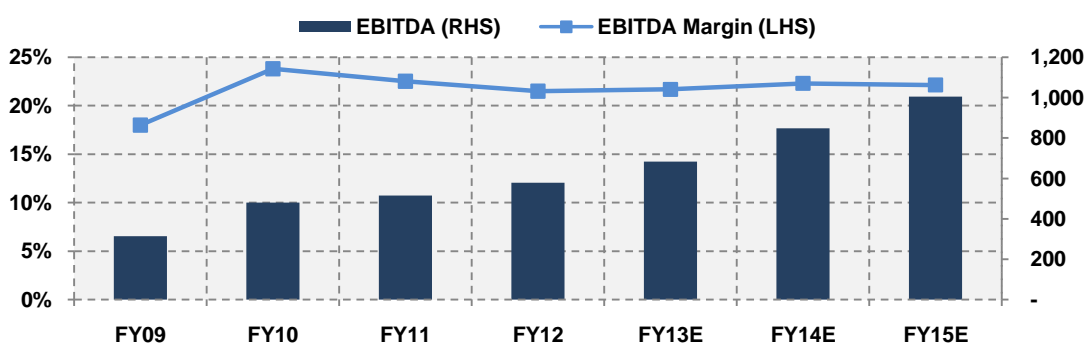
Colpal's EBITDA margin decline to 21.5% in FY12 from 23.8% in FY10 due to increase in raw material cost in FY12. Other expenses were also higher due to continued Ad expenses and sales promotion activities. We estimate raw material cost to remain on higher side in H1 FY13 and soften after H2 FY13 onwards. Despite continued expenditure in Advertising and sales promotion, EBITDA margin continued to remain above 20% due to prudent price hike and internal cost efficiencies.

Exhibit 14: Bifurcation of raw material prices



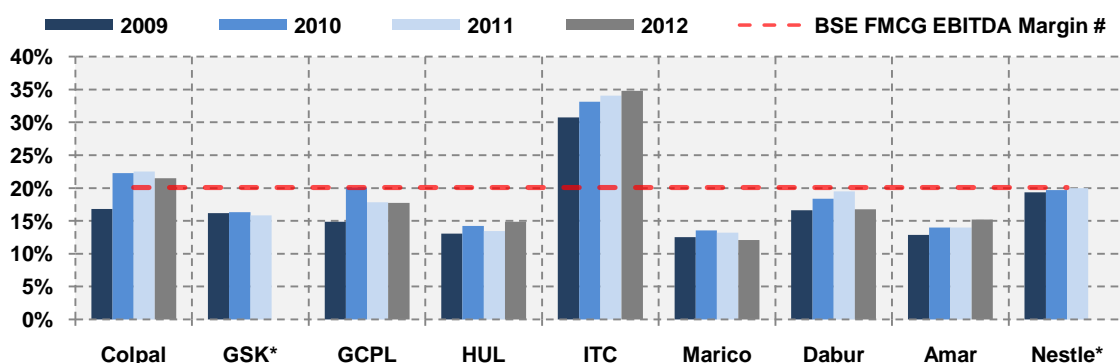
Source: Company, Shah Investor's Research

Exhibit 15: Trend in EBITDA margin



Source: Company, Shah Investor's Research

Exhibit 16: Peer group EBITDA margin



Source: Company, Shah Investor's Research

Colpal EBITDA margin is above the average FMCG EBITDA margin (only ITC have higher EBITDA margin than Colpal as ITC primarily is in cigarette manufacturing business). Dabur, Amar and HUL have oral care division in their portfolio. Amar is the only company where substantial amount of total revenue is from oral care and EBITDA margin in oral care division is around 11-12% which is much lower than Colpal. **Any softening of raw material prices would have positive impact on EBITDA margin as Colpal has continued its expenses in Ad and Sales promotion even in high commodity prices.** We estimate EBITDA margin for Colpal to be around 21.7% and 22.3% in FY13E and FY14E respectively.

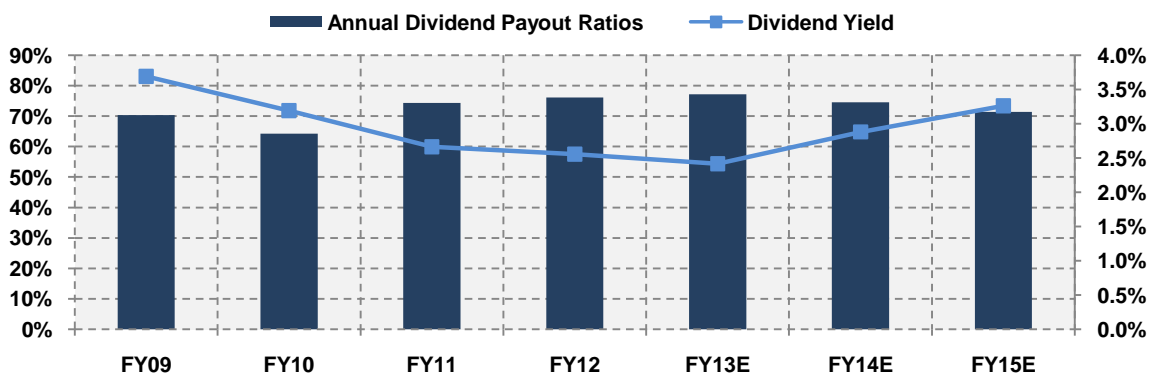
*Dec Year ending

#Average EBITDA margin of BSE FMCG companies (10 companies) from FY08 to FY12

Strong free cash flow, return ratios

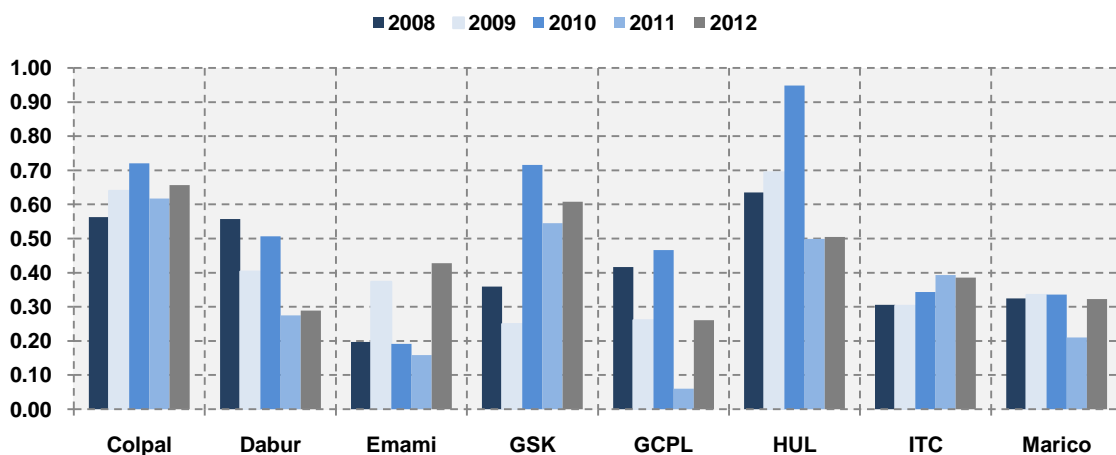
Colpal operates on negative working capital, generating Rs.980 Cr. of cash flow after accounting for capex for FY10-12. We expect this trend to continue and forecast Rs.1,389 Cr. of cash flow generation over FY12-15E. The dividend payout ratio for Colpal is average around 70% for FY09-12 and we estimate this trend to continue going forward. Following higher cash return on assets ratio, stable operating margins and negative working capital, RoE/RoCE should improve by 172 bps/987 bps to 104.3%/133.7%, respectively, over FY12-15E and also result in expansion of valuation multiples.

Exhibit 17: Trend in dividend payout ratios and dividend yield



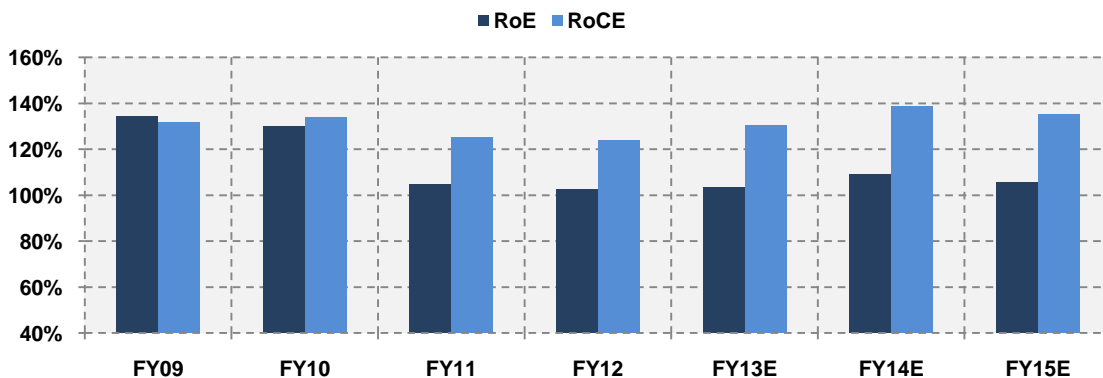
Source: Company, Shah Investor's Research

Exhibit 18: Peer group cash return on asset ratio



Source: Company, Shah Investor's Research

Exhibit 19: Return ratios



Source: Company, Shah Investor's Research

Parent Company: Colgate Palmolive Company

Global leadership in toothpaste and toothbrush

US

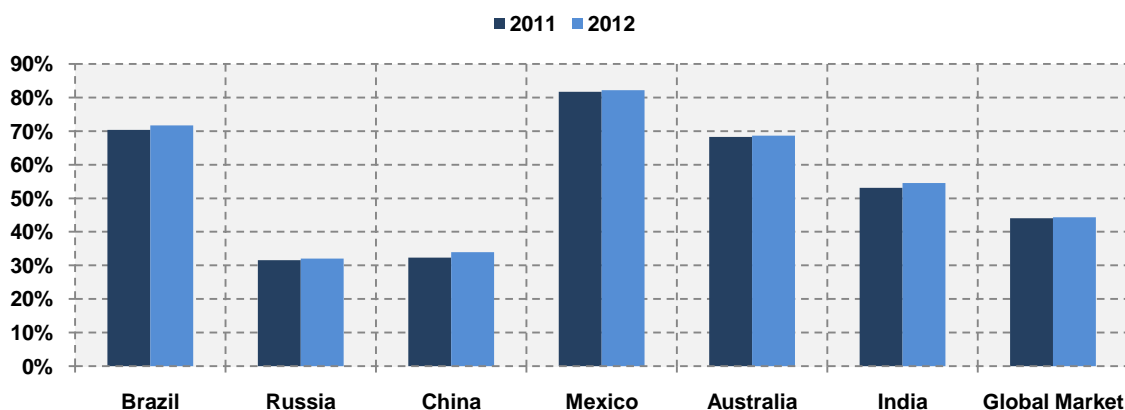
Unlike other US consumer companies, Colgate was strong in international markets and weak in the US, until it decided to focus on core oral care portfolio and take leading competitors (P&G and Unilever) head-on in 1994. Colgate closed plants, reorganized supply chain, implemented SAP software and invested in neglected brands, including Colgate Toothpaste.

In a stagnant US toothpaste market, Colgate's share climbed from 21.3% in 1994 to 26.2% 1997 according to A.C. Nielsen. During the same period, P&G's market share fell from 31.6% to 25.3%. The company's continuous innovation has paid off as it reported positive volume and price growth in this market for the first time in over two years in CY11. This is evident with the market share gap rising compared with its nearest rival.

Brazil and China

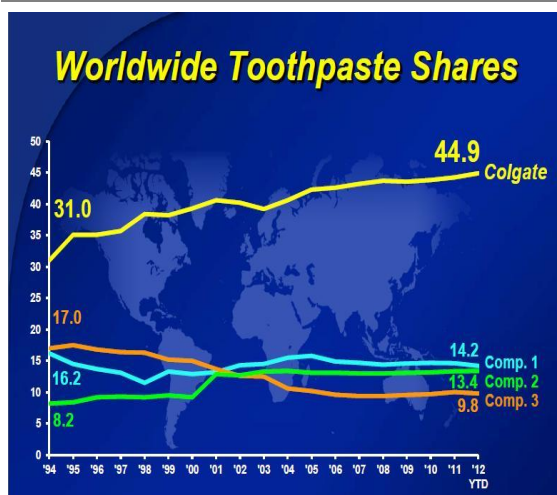
In Brazil, Colgate has maintained its leadership and has managed to gain market share at the expense of the No. 2 player. Its leadership continues in China, whereas competitors have lost market share. The company has a robust line up of new products for CY12 and expects strong volume growth from these regions.

Exhibit 20: Colgate dominant position across the world



Source: Company, Shah Investor's Research

Fig 5: Worldwide toothpaste market share



Source: Shah Investor's Research

Fig 6: Worldwide toothbrush market share

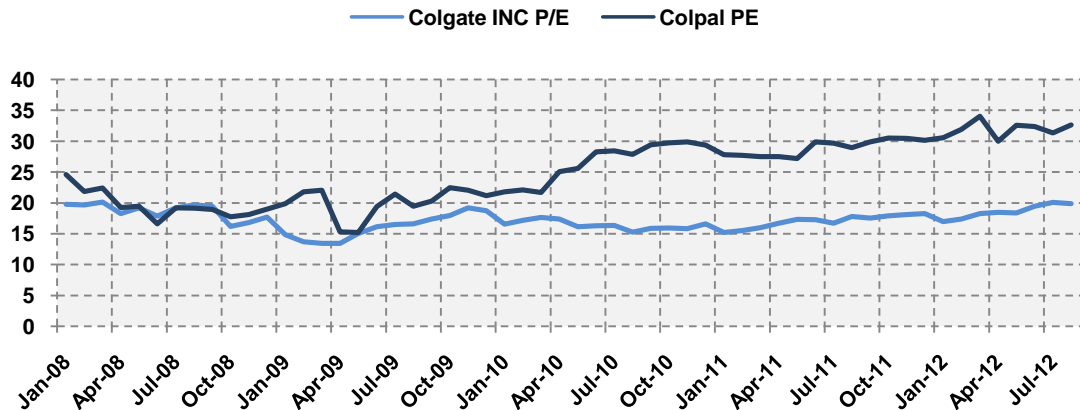


Source: Shah Investor's Research

Colpal trading at premium over its parent company

Colpal is trading at a premium valuation over its parent for last three years due to robust revenue growth, stable operating margins, higher return ratios. We estimate this trend to continue due to lower penetration in Indian oral care market and introduction of premium products gaining acceptance in burgeoning middle class.

Exhibit 21: Valuations



Source: Company, Shah Investor's Research

Exhibit 22: Financials

	CY09/FY10		CY10/FY11		CY11/FY12	
	CL	Colpal	CL	Colpal	CL	Colpal
Revenue Growth	0.0%	15.5%	1.5%	13.3%	7.5%	17.8%
Gross Margin %	58.8%	61.5%	59.1%	61.9%	57.3%	61.0%
EBITDA Margin %	23.6%	23.8%	22.4%	22.5%	23.0%	21.5%
PAT Margin %	14.9%	21.0%	14.2%	17.6%	14.5%	16.6%
RoE	17.4%	129.8%	15.4%	104.8%	15.5%	102.6%
RoCE	22.1%	133.9%	19.7%	125.1%	18.8%	123.9%
Cash Return on Assets, x	0.49	0.67	0.45	0.62	0.40	0.66

Source: Company, Shah Investor's Research

Key Risks

☞ Entry of a new player like P&G

P&G is likely to enter the Indian toothpaste market due to its strong presence in Indian toothbrush market with its international brand Crest and Oral-B. Entry of such a strong player will impact Colpal's EBITDA margin due to some knock on pricing and increase Ad expenses. However Colpal's strong brand name and amazing distribution network would enable to maintain its market dominance in Indian oral care industry.

☞ Raw material price

EBITDA margin in FY12 was mainly impacted by higher raw material prices. Going by Q1 FY13 quarterly result and current market conditions, we have estimated only 0.5% fall in raw material prices in FY13 and 1.5% in FY14. Key upside to our estimate is sharp decline in raw material prices.



Exhibit 23: Annual P&L Statement

Particulars, Rs. Cr.	FY11	FY12	FY13E	FY14E	FY15E
Gross Sales	2,317	2,736	3,212	3,885	4,651
Excise Duty	97	112	132	159	191
Net Sales	2,221	2,624	3,080	3,726	4,460
Other OI	66	69	73	77	84
Total Revenue	2,286	2,693	3,153	3,803	4,544
Total Expenditure	1,772	2,115	2,470	2,955	3,539
EBTDA	515	579	683	848	1,005
EBITDA Margin %	22.5%	21.5%	21.7%	22.3%	22.1%
D&A	34	39	49	58	65
EBIT	480	539	634	790	940
EBIT Margin %	21.0%	20.0%	20.1%	20.8%	20.7%
Other Income	41	51	61	68	73
Interest Expenses	2	2	2	2	2
PBT	520	588	693	856	1,011
PBT Margin %	22.7%	21.8%	22.0%	22.5%	22.3%
Tax Expenses	117	142	191	235	278
Effective Tax Rate	22.6%	24.1%	27.5%	27.5%	27.5%
PAT	403	446	502	621	733
PAT Margin %	17.6%	16.6%	15.9%	16.3%	16.1%
EPS (Rs.)	29.6	32.8	36.9	45.6	53.9

Source: Company Data, Shah Investor's Research

Exhibit 25: Annual Cash Flow Statement

Particulars, Rs. Cr.	FY11	FY12	FY13E	FY14E	FY15E
Cash Flow from Operating Activities					
PBT	520	588	693	856	1,011
Adjustment for :	0	(0)	1	5	7
Depreciation/Amortisation	34	39	49	58	65
Interest Expense	2	2	2	2	2
Interest Income	(30)	(41)	(50)	(55)	(60)
Operating Profit before WC Changes	520	588	694	861	1,018
Adjustment for (Inc)/Dec in WC :	(58)	(94)	(80)	(102)	(117)
Inventories	(42)	(64)	(44)	(54)	(62)
Sundry Debtors	-	-	(14)	(21)	(24)
Loans and Advances	(59)	(29)	(26)	(32)	(37)
Current Liabilities and Provisions	43	(1)	4	5	5
Cash Generated from Operations	462	494	614	758	901
Direct Taxes Paid (Net)	104	91	191	235	278
Net Cash from Operating Activities	358	403	424	523	623
Cash Flow from Investing Activities					
Purchase of Fixed Assets	(41)	(102)	(70)	(60)	(50)
Sale of Investments in Subsidiaries	(19)	(8)	(8)	(10)	(15)
Inter Corporate Deposits	92	57	-	-	-
Interest Received	28	42	50	55	60
Net Cash from Investing Activities	60	(10)	(28)	(15)	(5)
Cash Flow from Financing Activities					
Long Term Loans Availed/(Paid) (Net)	(5)	-	-	-	-
Interest Paid	(2)	(2)	(2)	(2)	(2)
Dividend Paid	(272)	(326)	(381)	(408)	(510)
Repayment of Capital	-	-	-	-	-
Dividend Tax Paid	(45)	(71)	(62)	(75)	(85)
Net Cash from Financing Activities	(323)	(398)	(444)	(484)	(596)
Net Increase in Cash	95	(5)	(48)	23	21
Beginning of the Year	66	161	310	261	285
Closing Cash Balance	161	156	261	285	306

Source: Company Data, Shah Investor's Research

Exhibit 24: Annual Balance Sheet Statement

Particulars, Rs. Cr.	FY11	FY12	FY13E	FY14E	FY15E
Sources of Funds					
Shareholder's Funds	384	435	495	578	703
Share Capital	14	14	14	14	14
Reserves & Surplus	370	422	482	565	690
Total Loans	0	-	-	-	-
Total Liabilities	385	436	496	579	704
Application of Funds					
Gross Block	580	613	683	743	793
Less: Depreciation	325	359	408	466	531
Net Block	255	254	275	277	262
Capital WIP	8	69	69	69	69
Investments	39	47	55	65	80
Current Assets					
Inventory	154	218	262	316	377
Sundry Debtors	75	87	101	122	145
Cash & Bank	395	310	261	285	306
Other Current Asset	8	7	9	11	14
Loans & Advances	83	125	148	179	214
Total Current Assets	715	746	782	912	1,056
Current Liabilities					
Current Liabilities	591	586	590	650	668
Provision	58	107	107	107	107
Total Current Liabilities	649	693	698	757	776
Net Current Assets	66	53	84	155	280
Deferred Tax Assets	17	12	12	12	12
Total Assets	385	436	496	579	704

Source: Company Data, Shah Investor's Research

Exhibit 26: Key Ratios

Y/E March	FY11	FY12	FY13E	FY14E	FY15E
Profitability %					
EBITDA Margin	22.5%	21.5%	21.7%	22.3%	22.1%
PAT Margin	17.6%	16.6%	15.9%	16.3%	16.1%
RoCE	125.1%	123.9%	128.0%	136.6%	133.7%
RoE	104.8%	102.6%	101.5%	107.3%	104.3%
Per Share Data (Rs.)					
Adj. EPS	29.6	32.8	36.9	45.6	53.9
Adj. CEPS	26.3	29.7	31.1	38.5	45.8
BVPS	28.2	32.0	36.4	42.5	51.7
Adj. DPS	22.0	25.0	28.0	34.0	38.5
Valuation, x					
P/E	40.5	36.5	32.5	26.3	22.2
P/CEPS	45.6	40.4	38.5	31.2	26.2
P/BV	42.5	37.5	32.9	28.2	23.2
EV/Sales	4.7	5.5	5.1	4.2	3.5
Dividend Yield (%)	2.7%	2.3%	2.3%	2.8%	3.2%
Gearing Ratios					
Net Debt/Equity	(1.0)	(0.7)	(0.5)	(0.5)	(0.4)
Net Debt/EBITDA	(20.0)	(25.2)	(23.1)	(18.6)	(15.6)
Performance Ratios, x					
Cash Flow-to-Revenue	0.9	0.9	0.8	0.8	0.8
Cash Return-on-Assets	0.6	0.7	0.7	0.7	0.8
Cash Return-on-Equity	1.0	1.0	0.9	1.0	1.0
Cash-to-Income	0.2	0.1	0.1	0.1	0.1
DUPONT Analysis					
PAT/PBT	0.8	0.8	0.7	0.7	0.7
PBT/EBIT	1.1	1.1	1.1	1.1	1.1
EBIT/Total Income	0.2	0.2	0.2	0.2	0.2
Total Income/Total Assets	4.1	4.5	4.9	5.3	5.9
Total Assets/Total Equity	1.6	1.5	1.4	1.3	1.2

Source: Company Data, Shah Investor's Research

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